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Global Management Trends ...

Leadership Challenges for Indian Companies

by The Conference Board

As Indian companies compete globally for access to capital markets, they are finding that the ability to successfully benchmark against world-class organizations is essential.

For a very long time, India was a managed, protected economy with the corporate sector operating in an insular fashion. But as restrictions have eased, Indian corporations are emerging on the world stage and discovering that the old ways of doing business are no longer sufficient in such a fast-paced environment. The emerging challenges for Indian businesses center on managing sustainable growth, competing in a global economy with its hyper-competition for markets and people, rising employee expectations, a greater than ever emphasis on customer relationships, and altering traditional company organizational structures.

Business leaders from across the Indian region gathered in Mumbai in April of 2006 for The Conference Board's annual Global Leadership Conference and emerged with a consensus that tomorrow's Indian business leaders must be master strategists, able to manage change as well as relationships and networks, and perhaps most importantly demonstrate the ability to develop new leaders.

To be sure, the business landscape is changing quickly: Human resources-related topics such as human capital management and measurement and talent management are emerging as crucial areas. Corporate governance now goes beyond mere compliance and statutory provisions. The role of the board of directors as leaders of business is beginning to evolve, as is the new role of the Indian CEO.

The conference looked at three areas critical to leadership for Indian companies:

- Leadership Development
- Risk Management
- Talent Management

Leadership Development — A Case Study

Ranbaxy Laboratories Limited is an India-headquartered global concern with a presence in 23 of the top 25 pharmaceutical markets of the world. It operates on a business model that builds extensive risk assessments into the strategic decision-making process to develop a more realistic and achievable business strategy and create synergy across operations. On a personnel basis, the company recruits through local talent pools and encourages personal development by exposing executives to global assignments. The company believes that to go global it needs a comprehensive vision that focuses on teamwork and a serious commitment to corporate goals and objectives. Global leaders at Ranbaxy must possess:

Vision – Providing followers with clear and focused direction

Differentiation – Be unique in some significant way from those they lead

Values – Espouse a clear set of values which are demonstrated, articulated, and repeated

Transmission – The ability to create and communicate a shared vision, and to carry that vision forward through actions, deeds, and examples to inspire those who follow.

A Flaw – Does not pretend to be perfect, but rather exposes and concedes a flaw. Leaders are, after all, humans who possess weaknesses and thus they need to be humble.

Developing global managers was an aspiration that drove Ranbaxy even when it was just beginning to enter the world economic stage. Dr. Parvinder Singh, the former chairman and managing director of Ranbaxy set the corporate tone in the early 1990s, outlining the challenges his company and other Indian corporations faced if they wished to compete globally.

“The success of the internationalisation programme would, to a large extent, depend on the ability to attract, retain, develop and utilize top quality personnel in every country and region where Ranbaxy operates. We would need to have flatter structures, leaner manpower, delegation, enabling systems and a positive culture. Importantly we need to define our organisation structures, systems, procedures and culture with an international mindset.”

The focus was on talent development by creating flat organizational structures with greater accountability and responsibility and through accessing international talent pools. A global mindset was created through the movement of people across international operations, the creation of alliances and collaborations globally, and the promotion of cross-cultural teamwork. Feedback and learning from others was encouraged. Dealing with diversity, inculcating values through people processes, and building leadership capability globally were priorities. Today the profile of a global leader at Ranbaxy is an individual who is:

- credible and trustworthy
- driven for results
- entrepreneurial
- operates with a global mindset
- listens and communicates effectively
- makes quality decisions
- practices process discipline
- a team builder, team player
- a visionary and strategic leader

Going Forward at Ranbaxy

Expectations for the future at Ranbaxy are that leaders will exercise power in a way that shapes attitudes positively rather than merely dictates actions. The pressure for change due to the uncertain and competitive environment emphasizes the need for developing champions of change.

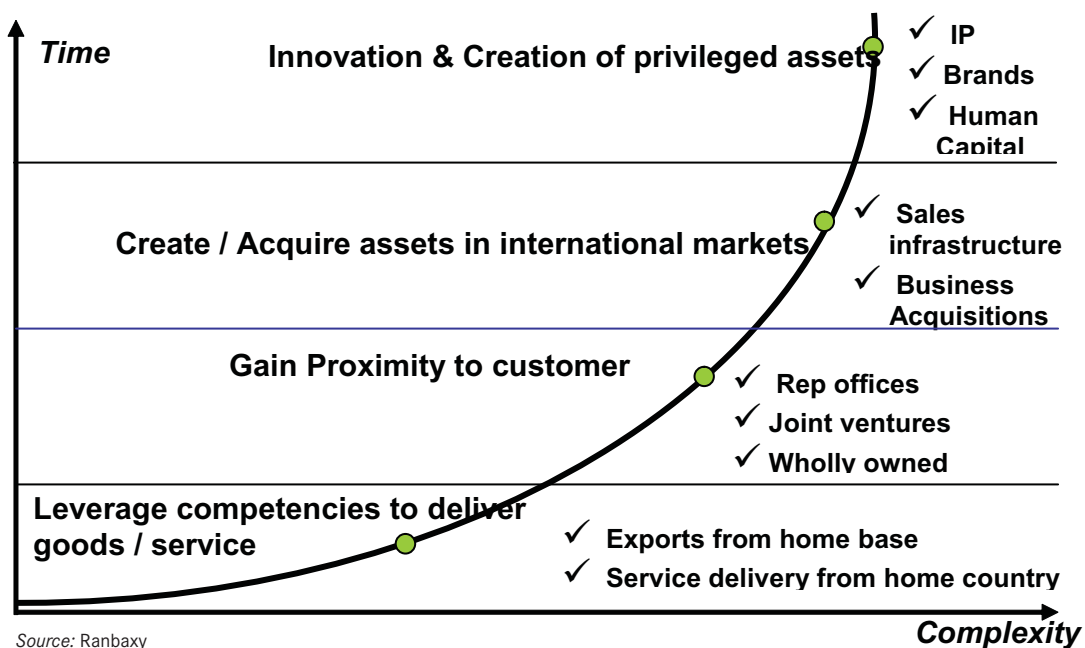
Some questions that the organization continues to address in its leadership development program:

- Are current leaders grooming future leaders? Are present leaders developing their successors?
- Is adequate attention being paid to factors beyond narrow short-term, bottom-line performance? Are leadership factors like vision creativity, perpetuation of organizational values and culture, ability to inspire, to adhere to the larger vision that includes the long-term sustainability of the business enterprise being considered?
- Is too much expected in a limited time?
- Are leaders building institutions or only businesses?

Figure 1

Evolution of Ranbaxy as a Global Company

Ranbaxy's global footprint that spans over 125 countries was established through an evolutionary process that saw increasing complexity of operations over time. This evolutionary process moved beyond leveraging competencies to delivering goods and services, to gain proximity to customer, creating and acquiring assets in international markets and through innovation and creation of privileged assets



Source: Ranbaxy

CEO Challenge – Views From Around the World and the Indian Perspective

According to 658 CEOs from around the globe who responded to The Conference Board CEO Challenge (2006), top-line growth was the most pressing challenge they face in the coming year. The results:

1	Top-line growth	37.5%
2	Profit growth	36.1
3	Consistent execution of strategy	33.4
4	Speed, flexibility, adaptability to change	33.1
5	Customer loyalty/retention	29.4
6	Process innovation	23.9
7	Corporate reputation	22.9
8	Speed to market	22.7
9	Product innovation	20.8
10	Improving productivity	20.3

Six of the Top 10 challenges were common across Asia, Europe, and the United States:

- 1 Top-line growth
- 2 Profit growth
- 3 Speed, flexibility, adaptability to change
- 4 Customer loyalty/retention
- 5 Speed to market
- 6 Improving productivity

The Indian Perspective

Indian CEO's, however, ranked their Top 10 business leadership challenges a bit differently:

- 1 Consistent execution of strategy
- 2 Stimulating innovation
- 3 Corporate reputation
- 4 Expansion in India
- 5 Speed, flexibility, adaptability to change
- 6 Profit growth
- 7 Sustained and steady top-line growth
- 8 Business risk management
- 9 Changing technologies
- 10 Aligning IT with business goals

India Business Leaders React

Indian business is poised for exponential growth. The leadership challenges center around four basic themes:

- Growth strategies
- Speed of response
- Innovation
- Execution excellence

Four acknowledged business leaders, who have taken India global, define the role of corporate branding and leadership in the creating of business identity; dealing with the pressure of short-term results verses long-term business sustainability; the importance of the human dimension in the implementation of business strategy and; the “virtualisation” of services in the knowledge industry and the challenge of talent retention.

Corporate Branding and Leadership

Nandan Nilekani, CEO and President, Infosys makes a case for tightening the operational planning process through a five-year scenario planning cycle and a three-year business planning process where assumptions about business and risk are converted into strategy. According to Nilekani, all bottlenecks are at the top of organizations in the form of leadership capability and capacity. Infosys has seen a huge drive to develop a deep leadership bench of over 400 individuals. The role of the corporate headquarters and strategy and planning is to create an operating platform for growth by aligning vision, business, and infrastructure. The challenge is to create a corporate brand that has a clear unique identity and position in the market that is plausible and not easily encroachable.

Pressure on Short-Term Results

Sajjan Jindal, Vice Chairman and Managing Director, JSW Steel sees particular danger that India's companies could lapse into a more Western, short-term mentality as more of them migrate into public ownership. “Given that India is in a developing stage and its companies are also developing, I think we need to focus on long-term interests.” In the growth story of JSW Steel, there were many challenges faced that created compelling conditions for changing internal mindsets to think global and not limit the vision to doing business only within domestic boundaries. *(continued)*

The Human Dimension

Adi Godrej, Chairman, Godrej Industries says: “I think there is a false fear of lower overall employment due to outsourcing. If you look at the country that outsources the most and has the freest labour market, which is the United States, it has the lowest unemployment rate of all developed countries.” The need of the hour is for leaders to work with the human dimension and influence mind-sets through a mental, physical, and emotional process, to communicate openly and honestly with candour, so that people can be motivated to do the tough things that no one wants to do.

The leadership challenge according to Godrej is to manage reactions to change by conveying the rationale and the context of the change being initiated. Strategy has to be congruent with changing contexts. Businesses in India need to think the “future backward” and not the “present forward” in order to bring transformational change and vision rather than incremental change. Long-term perspective needs to be reviewed frequently lest leaders fall into short-term thinking. Godrej feels that one of the fundamentals of leadership is about doing the right things first.

Virtualisation Of Services in the Knowledge Industry

Ramalinga Raju, Chairman, Satyam Services spoke of the trends in creating virtual services to bring value creation. Global competition is compelling Indian companies to reduce costs while trying to scale up operations. This poses challenges for Indian IT companies to create change within the knowledge industry. We have to reconfigure our business models to take advantage of existing knowledge rather than re-invent the wheel, he says.

Talent Retention

Arun Nanda, Executive Director, Mahindra and Mahindra, says, “opportunities today are of the magnitude we have never seen before.” Leadership, globalisation, and innovation are the cornerstones of the business strategy for the Mahindra empire. Expanding on the tactics deployed in applying these principles, Nanda emphasised that one of the biggest challenges facing Indian companies today is talent retention and management. The winners in the game will be those that demonstrate the ability to capitalise on human resources and ensure business continuity.

From Risk Management to Risk Strategy

“When written in Chinese the word crisis is composed of two characters. One represents danger, and the other represents opportunity.” ... U.S. President John F. Kennedy

Recognizing and managing risk to optimize strategy and execution in today’s complex business environment is an increasing focus of management attention in corporations in India as well as the rest of the world.

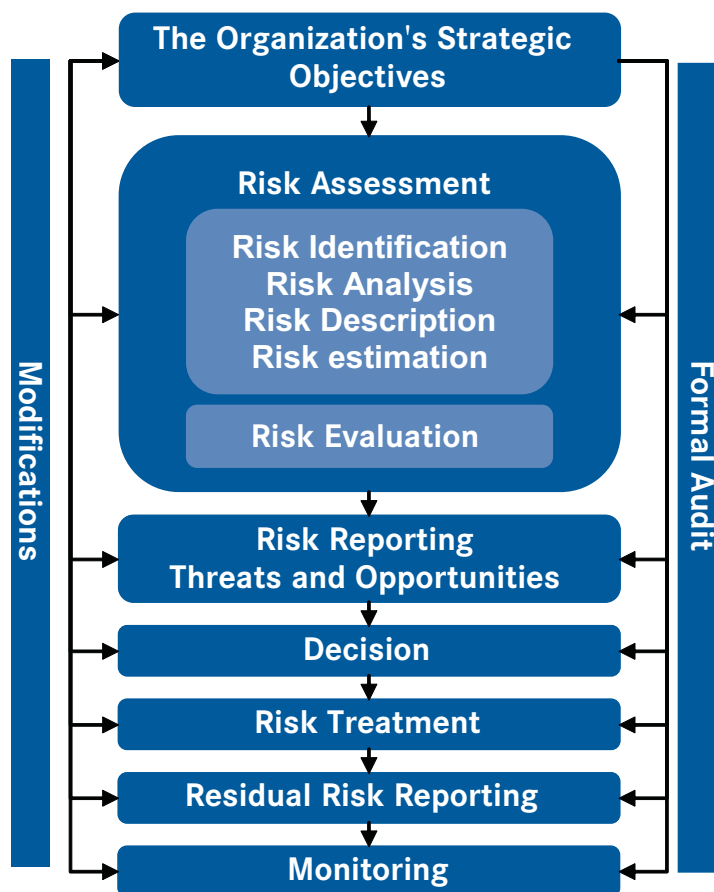
Risk is the combination of the **probability** of an **event** and its **consequence**. A consistent and controlled framework for improved decision making, efficient allocation of capital and resources, volatility reduction, protecting

and enhancing assets, developing and supporting competitive advantage needs to be an enterprise-wide effort. Enterprise Risk Management (ERM) considers all risks, develops a consistency in approach to risks, ensures a comprehensive policy and strategy for dealing with risk, creates value, and delivers competitive advantage

The process of ERM needs to be linked to strategy with risk assessment procedures, efficient treatment of risks, auditable, and compliant and consistent with good corporate governance. Risk assessment, risk reporting, decisions on risk treatment and monitoring of risks should feed into strategic objectives of the organization. A model of Enterprise Risk Management used by Nike is presented below:

Figure 2

Nike's Model of Enterprise Risk Management



Source: Nike

Risk Maturity Levels

Risk that cannot be managed needs to be accepted, shared, or avoided by exiting the business area. Risk treatments needs to focus on prevention, business continuity, and risk sharing and retention. Risk management — getting the right balance between innovation and change on the one hand, and avoidance of shocks and crises on the other — is now central to the business of good government. Risk Maturity levels are

- Risk Naïve: where no formal approach is developed for risk management

- Risk Aware: with a scattered silo based approach to risk management and limited functioning.
- Risk Defined: with strategy and policies in place and communicated.
- Risk Managed: where Enterprise approach to risk management is developed and communicated.
- Risk Enabled: Risk management and internal controls fully embedded into the operations

Nike's FY'06-'08 Europe, Middle East and Africa Risk Management Strategic Plan defines objectives as:

- To protect and enhance the brand and the company by being a global leader in risk management
- To drive and protect stakeholder value through *innovative* risk management

Enterprise Risk Management priorities at Nike are: to change the game in risk management through people, system, tools and performance; integrate ERM into business plans and process; and to drive efficiency through simplified processes that eliminate non value-add risk management activities.

The focus is on deepening business unit relationships, delivering superior risk management, making risk management a competitive advantage, and accelerating performance through focused execution and agility. The foundation of risk management strategy is based on keeping the focus on managing risk to enhance opportunities, ensuring that legal compliance is the starting line, and developing and expanding team skills, competencies and systems to support operational excellence.

Managing Talent Globally

Talent Management has become critical to the strategic agenda of global organisations with more attention paid to strategic workforce planning, without which achievement of organisational goals and visions is not possible.

Indian companies understand the need to develop strategies to manage talent globally. Companies need to address:

- What work do we do where?
- Centralization/decentralization of decision making
- Staffing of leadership positions
- Should we look internally or at external markets for talent
- Staffing of leadership positions
- Developing global leaders
- Developing talent for future
- Defining talent
- Measuring performance
- Creating a global mindset in senior management

Some of the strategies to be deployed by Indian companies in the process of managing human capital are:

- Create an outstanding brand image to attract talent
- Deploy Innovative practices in resourcing
- Expand your reach to track and source skills
- Local Market
- International Market
- Recruit from Campuses
- Develop Strategies to extract the best from the resources

- Develop skills through training
- Provide challenging career options
- Extract high level of performance

The role of business leaders in Talent Management is evolving as organizations grow. Business leaders should ensure that talent development is a core corporate competency and not only the domain of the HR department.

Managers at every level must be accountable for attracting and retaining manpower. Every employee should be given equal opportunities to fulfill his/her potential and contribute. Management potential needs to be drawn and grown from within the company. Creating a talent pipeline with proper succession planning and employee development is also a crucial source of manpower.

For Indian companies going international, it is becoming imperative to implement Global Workforce Management practices that will create an integrated framework and set of tools that helps their organization effectively negotiate the globalization of labor markets to efficiently select and develop, manage, and deploy their workforce across multiple geographies. Management of an increasingly dispersed and multi-cultural workforce is a critical challenge to securing competitive advantage through people. Indian management practices need to evolve to include workforce strategy as a key component of business strategy.

The three “P”s of Global Workforce Management deployed by Mercer Consulting in India are:

- People: Are the capabilities of the workforce adequate to meet the demands of global customers, now and in the future?
- Productivity: Does the human capital system align in ways that drive measurable productivity enhancements?
- Places: How will the location of people drive long-term value?

Developing Future Business Leaders

For years, major companies around the world have devoted significant attention and resources to developing leadership readiness, defined as sufficient leadership strength to meet anticipated challenges. In recent years, however, a combination of forces – including growth, competition, development and organizational change – have put increasing pressure on companies to attract, retain and develop leadership talent. Senior executives will face even greater leadership challenges in the business environment projected for 2010. Among them:

- Globalization
- Hyper-competition
- Expectations of Boards and financial markets
- Emphasis on customer relationships
- Changing organization structures
- Employee expectations
- Workforce demographics

What implications do these business challenges have on leadership? A new reality surrounding leadership development is emerging. There is intense competition for individuals capable of leading business organizations in an environment of extreme cognitive complexity. There is emphasis in many organizations on leadership skills – as opposed to technical skills and industry knowledge, highly refined communication and talent development skills, increased priority on executive team building.

By 2010, global business leaders must be able to fulfill four roles:

- Master Strategist
- Change Manager
- Relationship Builder/Network Manager
- Talent Developer

They must possess specific skills:

- Cognitive ability
- Strategic thinking skills
- Analytical ability
- Ability to make sound decisions
- Personal/organizational communication skills
- Influence and persuasion
- Diversity
- Delegation
- Identify, attract, develop, retain talent
- Personal adaptability

They need to avoid certain derailers that pose an obstacle to career success: Risk aversion – hesitancy to take business risks, personal arrogance and insensitivity, an overly controlling leadership style, a hesitancy to deal with difficult people situations.

Organizational support for leadership development will need to come from an organization structure that is less hierarchical, provides a wide array of learning opportunities, and enables objective identification of emerging leaders. Policies and procedures including executive reward structures that reinforce support for leadership, development provide flexible career plans and also have some individualized compensation structures.

An organization culture must be developed that enables risk-taking, willingness to place people in stretch assignments in a feedback rich environment that is performance, not tenure based. Senior leadership commitment will come when leadership development is viewed as a fundamental expectation, there is a willingness to make long-term investment before seeing return, and senior leaders participate in each others' development

Source: Developing Business Leaders for 2010, The Conference Board, Research Report R-1315-02-RR

About the Author

Dr. Aneeta Madhok is Dean (Faculty of Management Studies) at NM Institute of Management, Mumbai, India. Dr. Madhok also serves as president of the Institute of

Management Consultants of India. Areas of interest include: HR Strategy, Organization Development, Group Dynamics, and Personal Growth.